



Foreign Agricultural Service

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## **Nigeria**

## **Retail Food Sector**

## **Report**

## **2001**

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### **Report Highlights:**

**Nigeria's retail food sector offers excellent sales opportunities for U.S. consumer-ready food products. U.S. exporters, however, must invest the necessary time and energy to successfully enter and develop this market. Establishing meaningful trade relationships with experienced local importers is the key to doing business in the growing Nigerian market.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
Lagos [NI1], NI

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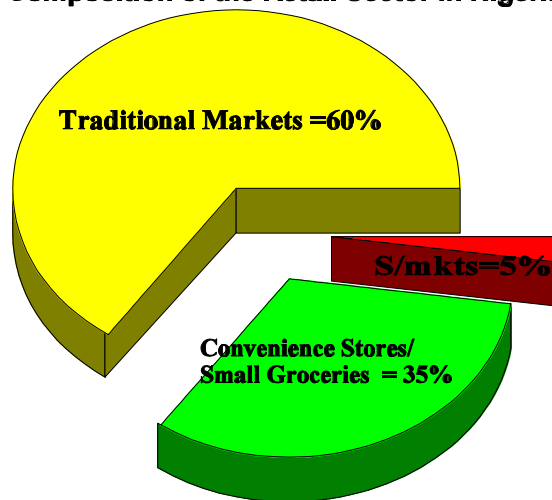
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## SECTION I. MARKET SUMMARY:

**A.** More than 60 million people are engaged in one form or another of Nigeria's retail food business.

**B.** The retail food sector in Nigeria consists of large supermarkets, convenience stores and small groceries, and traditional open air markets. These sub-groupings account for 5%, 35% and 60% respectively, of total retail food sales.

**Composition of the Retail Sector in Nigeria**



**C.** Features of Retail Food Outlets in Nigeria:

Retail Outlet Type	Av. Size (sq. m)	Number	Mkt. size served	Av. Annual Turnover	Location	Stock Level	Service Method
Super-markets	10-200	102	5%	\$ 2.2 million	urban	Full-Line	Self-serve
Convenience/Small Groceries	<10	Over 1.5 Million	37%	\$ 3,600	80%-urban, 20% - rural	Limited	15%-Self 85%-Assisted
Traditional Markets	<5	>2,000 Locations	60%	\$ 4 million (Aggregate figure for all retailers in a given market)	70%-urban 30%-rural	Very Limited	Assisted

**D.** Overall retail food sales in Nigeria in 2000 reportedly averaged \$12 billion, consisting of:

Type of Food Product	%
Imported consumer-ready food products	15
Partly processed and packaged in Nigeria	38

Totally processed in Nigeria	07
Local staple foodstuffs, fresh fruits and vegetables, meat and fish	40
Total	100

**E.** Twenty percent of all retail sales of imported consumer-ready food products in Nigeria in 2000 were handled by supermarkets. Traditional markets merchandised approximately 43 percent of all imported consumer foods, while convenience stores accounted for the remaining 37 percent.

**F.** Retail pricing in Nigeria:

	Domestic Products	Imported Products		Imported Products from USA	
Average retail mark-up(%)	10	13		17	
Average price ratio(/100)	100	120		140	
		Super-markets	Convenience Shops		Traditional Markets
Retail mark-up for imports (%)		30	20		15
Retail mark-up for domestic products(%)		15	10		5
		Importer	Wholesaler	Retailer	Consumer
Average price ratio for distribution members (/100)		100	115	118	125

**G.** Trends in retail business in Nigeria:

- # Although supermarkets are expanding, outlets of less than 5 square meters in size clustered in an open area and a fixed building site dominate food retailing.
- # Retailers prefer to stock relatively small-sized consumer-ready food products, prepared and packaged for one-time usage. Consumer demand for these products is high.
- # Several large supermarket chains with national coverage have gone out of business in recent years. Smaller, independent supermarkets are emerging.

**H.** Annual retail food sales declined approximately 3% during the mid to late 1990's. This resulted from political and economic instability. Retail food sales grew 12 percent in 2000.

**I.** The enforcement of minimum wages, the recent emergence of a democratically-elected government, and the acquisition and the re-opening of large superstore outlets by small, independent retailers are contributing to the growth of Nigeria's retail food sector.

**J.** A rapidly growing population, improved income levels, and continuing inefficiency in local food

processing are all factors which bode well for growth in retail food sales of imported consumer-ready food products in Nigeria.

**K.** The EU together with Asian suppliers dominate the imported consumer-ready food business in Nigeria. Although the U.S. share of the import market is growing, it remains low at 4 percent.

**L.** Although supermarket ownership/management is still dominated by Indian and Lebanese nationals resident in Nigeria. More Nigerians are however, beginning to invest in the supermarket businesses.

**M.** Opportunities exist for increased sales volumes of U.S. food products in Nigeria, but U.S. exporters must express a heightened interest in this market. To a large extent, this means overcoming the negative imagery that Nigeria has developed over the years under military rule.

**N.** U.S. exporters are urged to consult with FAS/Lagos before initiating business relations with potential importers to confirm that they are reliable businessmen. All U.S. exporter should be aware that business fraud is widespread in Nigeria.

#### **Advantages and Challenges:**

##### **Advantages**

##### **Challenges**

Nigeria's population of over 110 million is growing at an annual rate of 3%. Continued urbanization will increase the demand for imported HVP.	Average per capita income is estimated at \$300. The monthly minimum wage in Lagos is approximately \$65.
Increased minimum wage, economic reforms and relative political stability with the new democratic Government of Nigeria (GON).	U.S. food products are not readily available in Nigeria, are relatively unknown to local consumers and imports are not purchased with concessionary credit.
The Nigerian consumer views of U.S. food products as high-quality items and a generally fast changing lifestyle and consumption pattern along the western cultures.	Freight costs for U.S. products are significantly higher than those shipped by the EU and Asian countries.
Nigerian consumers readily adapt U.S. tastes and preferences for snacks and convenience-type foods.	Importers comment that U.S. exporters are not as responsive as EU and Asian competitors to importer requests regarding packaging and documentation.
Consumers increasingly view shopping in supermarkets and convenience stores as cleaner, more enjoyable, time saving.	Inadequate direct U.S. to West Africa shipping routes. Transshipments result in added cost and longer shipping periods. .
There is an increase in female employment and children attending schools. Middle-and high-income groups are being exposed to commercial advertising for imported foods through international broadcasting, print media and the Internet.	Dual customs clearing procedures requiring pre-shipment inspection and the newly-introduced destination inspection take longer shipment and clearing time.
Domestic food processing is underdeveloped. Expectations are high that the local food processing sector will remain inefficient. Many imported HVPs do not have locally produced substitutes.	Many retail food outlets in Nigeria are family-owned and lack adequate capital for expansion and training.
Approval of local banks for the USDA's export credit programs.	A negative view of Nigerian businesses among U.S. exporters.
Inability of the GON to sustain the implementation of its new inspection policy as importers are seeking relief through new duty avoidance schemes.	Lack of freight consolidators in the U.S. to handle Nigerian importer ordering and shipping requirements.
U.S. grocery items entering Nigeria enjoy a bonus market of about 20 million from neighboring countries.	Import duties for processed foods run as high as 75 percent but average about 45 percent.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. SUPERMARKETS

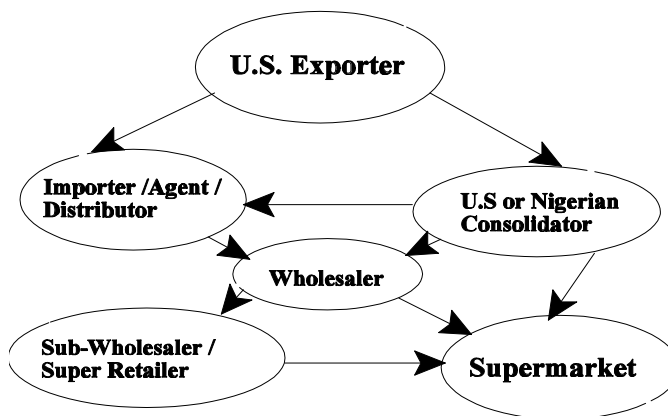
#### Entry Strategy:

- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint a local distributor/agent in Nigeria to register products with appropriate GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify and sell through consolidators based in the U.S. serving West Africa.
- # Exhibit, especially at the FMI supermarket trade show in Chicago, which is well attended by Nigerian importers and where follow-up contacts can be made.

#### Market Structure:

#### Distribution Flowchart for Supermarkets

- # An importer may be the U.S. exporter's appointed agent and sole representative. He can act as a local consolidator who sells relatively large quantities to wholesalers.
- # The wholesaler sells to sub-wholesalers or super-retailers in relatively large quantities and at discounted prices.
- # Supermarkets procure goods directly from wholesalers or local consolidators depending on size and financial leverage.
- # Consolidators, especially in the EU and Asian countries, supply needs of some local wholesalers and supermarkets.
- # Most supermarkets are owned by importers. Importers usually register as trading/importing firms distinct from their supermarket operations. The trading arm of the parent company sources and supplies the supermarket's merchandising requirements and also sells to competing retailers.



#### Company Profiles of Major Supermarkets:

Retailer Name & Outlet Type	Ownership	Sales (\$Mill ion)	No. of Outlets	Location (city)	Type of Purchasing Agent

Park 'n' Shop	Indian/Resident in Nigeria	3.5	6	Lagos, Abuja & Port Harcourt	Importers/Distributors
Goodies	Lebanese/Resident in Nigeria	2.8	3	Lagos	Importers/Distributors/ Agents
Bestway	Nigerian	2.6	3	Port Harcourt	Importers/Distributors
Esco	Nigerian	2.3	2	Warri	Importers/Distributors
Chanrai's	Indian/Resident in Nigeria	2.2	3	Lagos/Port Harcourt	Importers/Distributors
BG-Mart	Nigerian	2.0	2	Lagos	Importer-Distributor
Legend	Lebanese/Resident in Nigeria	2.1	1	Abuja	Importers/Distributors/Agents
Fantasy	Lebanese/Resident in Nigeria	1.9	1	Kano	Importers/Agents
Choice	Lebanese/Resident in Nigeria	1.8	1	Port Harcourt	Importers/Distributors/Agents

## B. CONVENIENCE STORES/GROCERY SHOPS/KIOSKS/GAS MARTS

### Entry Strategy:

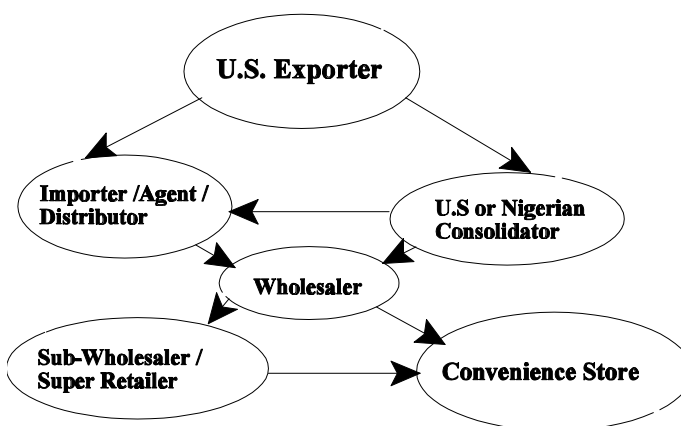
- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint a local distributor/agent in Nigeria to register products with the appropriate GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify consolidators based either in the U.S. or in Nigeria.
- # Offer food product shipment in mixed-lot containers.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.

### Market Structure & Profiles:

- # Convenience shops include: mini-supermarkets, about 500,000 small grocery stores, about 2,000 gas marts, numerous kiosks, and roadside stalls.

- # Convenience stores have limited capitalization and significant space limitations. Most buy from sub-wholesalers or super-retailers. Others, with relatively large capital, buy from wholesalers.
- # Kiosks typically are located at strategic points where high sales potential exists and where municipal authorities issue only temporary building permits. They are fewer in number than roadside stalls.
- # Gas marts are growing rapidly, although their food sales are minimal and product prices at these outlets are usually markedly higher than charged by other retailers.
- # About 10 percent of all convenience stores/grocery shops/kiosks stock only a single product label of a given item.
- # Less than 5 per cent of these outlets sell chilled and frozen food products due to poor and irregular electricity supply.

**Distribution Flowchart for Convenience Stores**



## C. TRADITIONAL MARKETS

### Entry Strategy:

- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint and motivate a local distributor/agent in Nigeria to register products with the GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify consolidators based either in the U.S. or in Nigeria.
- # Offer flexible shipping volumes.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.
- # Adopt a pricing strategy which allows importers to initiate buying patterns with U.S. suppliers.

### Market Structure & Profiles:

- # Retailers buy from sub-wholesalers or super-retailers due to limited capital.
- # About 70% of all wholesalers, sub-wholesalers and super-retailers are located in the traditional markets.
- # Most Nigerian food importers own food outlets located primarily in urban centers.
- # Product prices are about 20% lower than in alternative retail outlets.

# Pricing often is not fixed and ultimate sales price is negotiated on the spot.

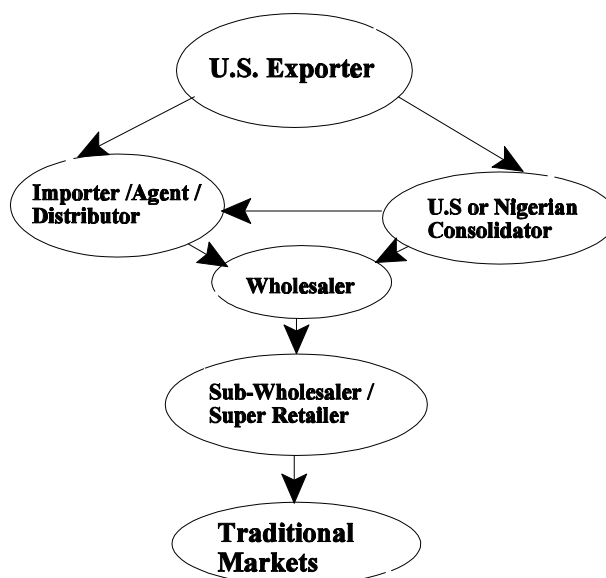
# Local staple foodstuffs, including fresh fruit and vegetables, meat and fish, are the principal foods sold in these retail outlets.

# These retail outlets consist of small stalls clustered in a large grouping under a single roof or open air venue.

# About 55% of the traditional markets stock only a single product label for a given item.

# Promotional activities organized at traditional markets tend to have significant consumer impact.

**Distribution Flowchart for Traditional Markets**



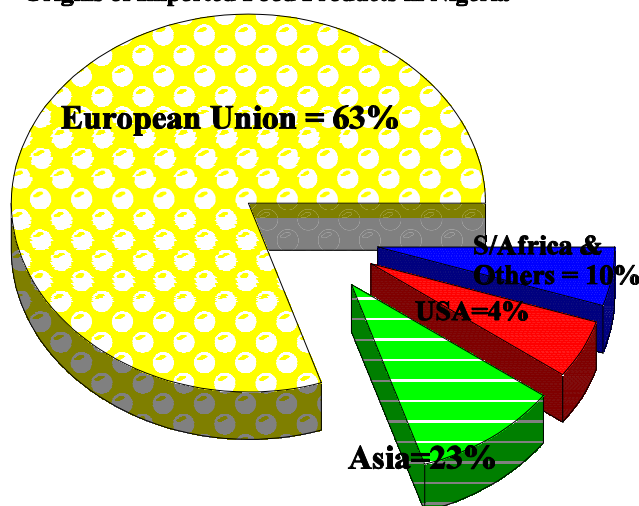
### SECTION III. COMPETITION

' Origin and supplier for imported consumer-ready food products is as follows:- EU(63 percent), Asia(23 percent), USA(4 percent) and South Africa/Others(10 percent).

' The low U.S. market share is due partly to the higher freight costs for moving U.S. products to Nigeria, and because U.S. exporters tend to be less responsive to Nigeria's unique market requirements.

' Unique Market Requirements by the Nigerian importers include;  
# Prefer purchasing mixed containers.  
# Want to minimize shipping costs and, therefore, find the services of freight consolidators in the U.S. to handle their ordering and shipment.

**Origins of Imported Food Products in Nigeria**



# Anticipate that their foreign suppliers will meet their desire to under-invoice in order to reduce import duty payments.

- # Seek exclusive distribution agreements from exporters.
- ' Competitor Advantages include:
- # Nigerian importers easily and readily employ the services of freight consolidators located in the EU.
- # Nigerian importers find it easier to register their subsidiary companies in the EU for sourcing their import requirements.
- # Lower freight for shipments from the EU and Asian countries.
- # Asian firms are receptive to importer demands especially on quality, packaging and documentation.
- # Asian firms (their personnel and/or appointed representatives) continuously interact with their Nigerian buyers to obtain essential marketing information.

## SECTION IV. BEST PRODUCT PROSPECTS

- ' Importer preference is evident for HVP with the following characteristics: 1) Relatively small-sized products, prepared and packaged for one-time use. 2) Bulk products that can be re-packaged locally. 3). Perishable food products processed and packaged for long shelf life without refrigeration.

### A. Products in the Market which have Good Sales Potential are tabulated below:

skimmed and whole milk powder	pastas products	snack foods	breakfast cereals
alcoholic beverages	fruit preparations and juices	ice cream	non-alcoholic beverages
canned vegetables	liquid milk	spices	bakery and other food preparation ingredients
cooking oil	beer	candy	powdered beverages
tomato purees	frozen fish & poultry	margarine	wine

### B. Products Not Present in Significant Quantities but which have good sales potential:

- # Ice cream, dessert products, and egg powder.
- # Snacks foods and HRI products.
- # Perishable food products processed and packaged for longer shelf life without refrigeration.

### C. Products Not Present Because They Face Significant Barriers:

- ' Often, legal barriers do not fully affect the availability of food products in the Nigerian market due to:
- # Encouraged by Nigeria's high tariff policies, importers routinely practice tariff avoidance by under-invoicing shipments and bribery of customs and port officials. Also, importers often purchase imported foods that have been smuggled into Nigeria.
- # Nigerian borders are very porous for smuggling activities. Often, importers destine their goods to neighboring countries where they are easily transported by road to the Nigerian market.

## **SECTION V: FOOD SAFETY AND REGULATIONS**

- ' All imported HVP must be registered with the National Agency for Food and Drugs Administration and Control (NAFDAC) to be legally importable into Nigeria.
  - # NAFDAC is the GON regulatory body for food product manufacturing, importation, advertisement and distribution in Nigeria.
  - # Please see FAIRS report (Import Regulations) for details.
- ' The Nigerian Customs Service (NCS) is the GON agent for import duty collection. All HVP exported to Nigeria are subject to both Pre-Shipment Inspection (PSI) and Destination Inspection (DI) since May 2001.
- ' The importer normally applies and bids for his foreign exchange requirements from the Central Bank of Nigeria (CBN) by completing a 'Form M' document. However, most Nigerian importers prefer and utilize bank transfer method to pay their overseas suppliers; in which case they simply purchase foreign exchange through either the commercial and merchant banks or the informal channels which saves them the time and rigor associated with payments through the Form M.
- ' Please, read also the EXPORTER GUIDE REPORT for details

## **SECTION VI. POST CONTACT AND FURTHER INFORMATION**

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